



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2011 Biennium

<b>Bill #</b>	HB0415	<b>Title:</b>	Regulate micro-processing of biodiesel
<b>Primary Sponsor:</b>	MacDonald, Margaret	<b>Status:</b>	As Introduced

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts           | <input type="checkbox"/> Dedicated Revenue Form Attached |

### **FISCAL SUMMARY**

	<b><u>FY 2010</u></b> <b><u>Difference</u></b>	<b><u>FY 2011</u></b> <b><u>Difference</u></b>	<b><u>FY 2012</u></b> <b><u>Difference</u></b>	<b><u>FY 2013</u></b> <b><u>Difference</u></b>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$10,000	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	-----Cannot be reasonably determined-----			
<b>Net Impact-General Fund Balance:</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

### **Description of fiscal impact:**

HB 415 will have a one time cost to program the motor fuel system and may result in fewer fuel tax revenues.

### **FISCAL ANALYSIS**

#### **Assumptions:**

#### **Department of Transportation**

1. HB 415 defines "microprocessed biodiesel" as when a special fuel user (cooperative) produces more than 1,000 gallons and less than 50,000 gallons of biodiesel per year. The bill defines a "special fuel user" as a person who consumes microprocessed biodiesel for the operation of motor vehicles owned by the person upon public roads. The biodiesel produced by an individual (cooperative) is exempt from the special fuel tax (.2775 a gallon) except for the biodiesel that is used on public roads. The individuals (cooperatives) that produce microprocessed biodiesel are required to register annually with the department and keep records of biodiesel usage of both on and off public roads.
2. A biodiesel registration component would need to be added to the motor fuel computer system at one-time programming cost of \$10,000.
3. The fiscal impact of revenue loss is a function of the level of percentage of law abiding users. If there is 100% compliance in reporting on-road fuel usage, then there would be no fiscal impact.

4. The estimated rate of non-compliance is 12.4%. In 1993, legislation was passed that moved the point of taxation of special fuel from the special fuel user (user) to the distributor (wholesaler). The revenue increase totaled a 12.4% increase indicating that non-compliance at that time was 12.4%.
5. This proposed legislation would not have a significant impact on MDT's internal audit function.

**Technical Notes:**

1. The bill is not specific about what happens when less than 1,000 gallons or more than 50,000 gallons are produced.
2. The term person includes a "cooperative". Under the bill a person is required to keep detailed usage records of the biodiesel produced. It would be very difficult for a cooperative to know and keep records of the biodiesel usage of all of its members and to know what is taxable and what is not.
3. It is unclear who is responsible to file and pay the special fuel tax for usage on public roads.
4. Under 15-70-325, MCA, a special fuel user, that may have tax liability, is required to file a quarterly return. The individuals and cooperatives would be required to file quarterly returns to determine their tax liability.

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*